

WEBER HUMAN SERVICES

FINANCIAL REPORT

JUNE 30, 2005

WEBER HUMAN SERVICES

FINANCIAL REPORT

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Weber Human Services
Ogden, Utah

We have audited the accompanying basic financial statements of Weber Human Services, as of and for the year ended June 30, 2005, as listed in the table of contents. These basic financial statements are the responsibility of Weber Human Services' management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Weber Human Services as of June 30, 2005 and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2005 on our consideration of Weber Human Service's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Weber Human Services, taken as a whole. The statement of functional expenses listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Weber Human Services. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Wiggins & Co., PC

Ogden, Utah

November 30, 2005

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WEBER HUMAN SERVICES

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Management's Discussion and Analysis

As management of Weber Human Services (The Agency), we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the Independent Auditors' report.

History and Background of Agency

Weber Human Services was formed January 1, 1994 under an interlocal cooperation agreement between Weber and Morgan Counties to provide mental health, aging and substance abuse services to the residents of those counties.

The interlocal agreement created a separate, legal, political entity. The term of the interlocal agreement is for fifty years. Either of the participating counties may terminate the agreement by giving a six-month notice.

Today, Weber Human Services has approximately 425 employees who provide mental health and substance abuse treatment to over 11,000 clients. Aging services provided approximately 95,000 congregate meals at area senior centers and 165,000 home delivered meals in FY 2005. Aging services also coordinates and administers various programs that involve over 850 individuals as volunteers, as well as services ranging from information and education to managed care. Other programs include substance abuse prevention.

Financial Highlights

- The assets of the Agency exceeded its liabilities at the close of the most recent fiscal year by \$6,962,983 (*total net assets*). Of this amount, \$5,097,288 may be used to meet the Agency's ongoing obligations.
- The Agency's total net assets decreased by \$571,336.
- At the end of the current fiscal year, the unrestricted net assets balance was \$5,097,288, or 21 percent of total fund expenditures.
- The Agency's total liabilities decreased by \$775,147 (4.2 percent) during the current fiscal year. The significant changes were 1) a \$700,000 decrease in the Certificates of Participation liability from scheduled debt services payments, 2) an increase of \$205,795 in accrued post-employment benefits, 3) an increase of \$1,136,936 in accrued liabilities 4) a decrease of \$599,000 in accounts payable & accrued liabilities and 5) a decrease of \$804,627 in deferred revenue.
- Revenues increased by \$909,146 or 3.8% in FY2005. This is due to several factors including decreases in client revenues of \$560,000 related to Medicaid and local revenues of \$415,000 due to Davis County Meal on Wheels and increases in the MACS program in aging of \$1,800,000.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements comprise two components: 1) financial statements and 2) notes to the financial statements. Weber Human Services is a special-purpose government engaged only in business-type activities, so only the fund financial statements are presented as the basic financial statements. The report also includes other supplementary information in addition to the basic financial statements.

Financial statements. The financial statements are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the Agency's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Agency is improving or deteriorating.

The *Statement of Revenues, Expenses, and Changes in Net Assets* presents information showing how the Agency's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected revenues and earned but unused vacation leave).

The *Statement of Cash Flows* presents information showing how the cash and cash equivalents of the Agency changed during the most recent fiscal year because of cash flows.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes are part of the basic financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the Agency's functional expenses.

Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets exceeded liabilities by \$6,962,983 at the close of the most recent fiscal year.

By far the largest portion of the Agency's assets (60 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment), less any related debt (Certificates of Participation payable) used to acquire those assets that is still outstanding. The Agency uses these capital assets to provide services to clients; consequently, these assets are *not* available for future spending. Although the Agency's investment in its capital assets is reported net of related

debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Weber Human Service Net Assets

	2005	2004
Current and other assets	\$10,401,898	\$10,997,819
Capital assets (net of accumulated depreciation)	13,850,695	14,575,717
Deferred charges, net	306,479	332,019
Total assets	24,559,072	25,905,555
Long-term liabilities outstanding	12,816,665	13,266,605
Other liabilities	4,779,424	5,104,631
Total liabilities	17,596,089	18,371,236
Net assets:		
Invested in capital assets, net of related debt	1,865,695	1,890,717
Unrestricted	5,097,288	5,643,602
Total net assets	\$6,962,983	\$7,534,319

The balance of *unrestricted net assets* \$5,097,288 may be used to meet the Agency's ongoing obligations to creditors.

The Agency's net assets decreased by (\$571,336) during the current fiscal year.

Business-type Activities. Key elements of the decrease of net assets are as follows:

Weber Human Service's Changes in Net Assets

	2005	2004
Revenues:		
Operating revenues:		
Federal grant revenue	\$3,733,663	\$3,489,114
State revenue	6,375,044	6,145,498
Local revenue	1,823,914	2,238,925
Client revenue, net	12,339,668	11,485,292
Other income (expense)	16,195	20,509
Total operating revenue	24,288,484	23,379,338
Operating expenses:		
Program salaries and benefits	13,069,630	13,008,038
Direct Program services for clients	3,342,804	2,893,976
Program operating expenses	4,365,903	3,059,031
Administrative salaries and benefits	2,036,408	1,912,507
Administrative expenses	929,217	1,010,045

Depreciation	683,885	671,257
Total Operating Expenses	24,427,847	22,554,854
Income from operations	(139,363)	824,484
Non-operating revenues (expenses)		
Interest income	180,295	105,569
Interest expense	(627,919)	(628,796)
Gain (loss) on sale of assets	15,651	(44,102)
Total non-operating income (expense)	(431,973)	(567,329)
Change in net assets	(571,336)	257,155
Net assets – Beginning	7,534,319	7,277,164
Net assets – Ending	\$6,962,983	\$7,534,319

- Revenues increased by approximately \$909,000 or 3.8 percent. This is primarily due to 1) an increase of MACS funding of \$1,800,000 2) a decrease of \$560,000 for capitated MEDICAID and 3) a decrease in local revenue due to the meals on wheels contract with Davis County.
- Investment earnings increased by \$74,726 primarily because of increased interest rates during 2005.
- Operating expenses increased by approximately \$1,872,993 or 8.5%. This was due mostly to an increase of \$1,654,000 in expenses related to MACS.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Capital Asset and Debt Administration

Capital Assets. The Agency's investment in capital assets for its governmental and business-type activities as of June 30, 2005 mounts to \$13,850,695 (net of accumulated depreciation). This investment in capital assets includes land, buildings, furniture & equipment and vehicles. The total decrease in the Agency's investment in capital assets for the current fiscal year was 4.9 percent.

Major capital asset events during the current fiscal year included scheduled replacement of certain fleet vehicles used in the Agency's operations and removing any furniture and equipment purchased for less than \$5,000 that has been fully depreciated.

Weber Human Service's Capital Assets
(net of depreciation)

	2005	2004
Land	\$1,641,426	\$1,641,426
Buildings	11,404,332	11,763,422
Furniture and Equipment	232,956	425,951
Vehicles	571,981	744,918
Construction in Progress	0	0
Total	\$13,850,695	\$14,575,717

Long-term debt. On July 17, 1998 the Agency issued the Weber Human Services Refunding Certificates of Participation, Series 1998A for \$7,465,000 and the Lease Certificates of Participation, Series 1998B for \$8,310,000 to finance the expansion of the office building. The certificates are secured by the land and buildings being financed. At the end of the current fiscal year, the Agency had debt outstanding of \$11,985,000. The Series 1998A certificates are expected to be paid off in January, 2017 and the Series 1998B certificates in January, 2018 .

Weber Human Services Outstanding Debt

	<u>2005</u>	<u>2004</u>
Certificates of Participation , SeriesA	\$5,305,000	\$5,650,000
Certificates of Participation , SeriesB	<u>6,680,000</u>	<u>7,035,000</u>
Total	11,985,000	12,685,000

There was no activity other than the scheduled debt service payments during the year.

Additional information on the Agency's long-term debt can be found in Note 6 of the financial statements.

Requests for Information

This financial report is designed to provide a general overview of the Agency's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Weber Human Services, ATTN: Randy Bates, 237 26th Street, Ogden, Utah 84401.

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WEBER HUMAN SERVICES
STATEMENT OF NET ASSETS -
PROPRIETARY FUNDS
JUNE 30, 2005

	Primary Government	Component Unit (as of Dec. 31, 2004)
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ -	\$ 144,250
Restricted cash and cash equivalents held by trustee	1,367,674	-
Investments	1,718	67,434
Accounts receivable, net	2,194,499	185
Inventory	138,171	165
Prepaid expenses	221,289	7,890
	<u>10,401,898</u>	<u>219,924</u>
TOTAL current assets		
NONCURRENT ASSETS		
Deferred charges, net	306,479	-
Capital assets		
Land	1,641,426	-
Buildings	14,161,245	-
Furniture and equipment	1,198,882	-
Vehicles	1,007,025	-
Less accumulated depreciation	(4,157,883)	-
Total capital assets (net of accumulated depreciation)	<u>13,850,695</u>	<u>-</u>
Total noncurrent assets	<u>14,157,174</u>	<u>-</u>
Total Assets	<u>\$ 24,559,072</u>	<u>\$ 219,924</u>

The Notes to Financial Statements are an integral part of this statement.

WEBER HUMAN SERVICES
STATEMENT OF NET ASSETS -
PROPRIETARY FUNDS
JUNE 30, 2005 (CONTINUED)

	Primary Government	Component Unit (as of Dec. 31, 2004)
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 861,698	\$ 270
Accrued liabilities	2,314,194	-
Accrued interest payable	267,122	-
Accrued post-employment benefits, current portion	563,114	-
Deferred revenue	43,296	740
Certificates of participation, current portion	730,000	-
Total current liabilities	<u>4,779,424</u>	<u>1,010</u>
NONCURRENT LIABILITIES		
Accrued post-employment benefits, less current portion	1,561,665	-
Certificates of participation, less current portion	11,255,000	-
Total noncurrent liabilities	<u>12,816,665</u>	<u>-</u>
Total Liabilities	<u>17,596,089</u>	<u>1,010</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	1,865,695	-
Restricted	-	119,536
Unrestricted	5,097,288	99,378
Total Net Assets	<u>\$ 6,962,983</u>	<u>218,914</u>

The Notes to Financial Statements are an integral part of this statement.

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WEBER HUMAN SERVICES
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2005

	Primary Government	Component Unit (for the year ended Dec. 31, 2004)
OPERATING REVENUES		
Federal grant revenue	\$ 3,733,663	\$ -
State revenue	6,375,044	-
Local revenue	1,823,914	133,645
Client revenue (net of cost of goods sold of \$2,293,543)	12,339,668	-
Other income	16,195	-
Total operating revenue	<u>24,288,484</u>	<u>133,645</u>
OPERATING EXPENSES		
Program salaries and benefits	13,069,630	-
Direct program services for clients	3,342,804	-
Program operating expenses	4,365,903	59,153
Administrative salaries and benefits	2,036,408	58,964
Administrative expenses	929,217	-
Depreciation	683,885	-
Total operating expenses	<u>24,427,847</u>	<u>118,117</u>
Operating Income	<u>(139,363)</u>	<u>15,528</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	180,295	2,904
Interest expense	(627,919)	-
Gain/(Loss) on sale of assets	15,651	1,588
Total Non-Operating Income (Expense)	<u>(431,973)</u>	<u>4,492</u>
Change in Net Assets	(571,336)	20,020
TOTAL NET ASSETS - BEGINNING	7,534,319	198,894
TOTAL NET ASSETS - ENDING	<u>\$ 6,962,983</u>	<u>\$ 218,914</u>

The Notes to Financial Statements are an integral part of this statement.

WEBER HUMAN SERVICES
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2005

	Primary Government	Component Unit (for the year ended Dec. 31, 2004)
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from grants and patients	\$ 23,152,980	\$ 46,263
Payments to employees	(14,998,245)	-
Payments to suppliers	(8,004,967)	(35,223)
Net Cash Provided by Operating Activities	<u>149,768</u>	<u>11,040</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	170	50,122
Purchase of investments	-	(51,270)
Interest received	180,295	2,904
Net Cash Provided (Used) by Investing Activities	<u>180,465</u>	<u>1,756</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of assets	(5,428)	-
Principal payments on certificates of participation obligation	(700,000)	-
Interest paid	(616,503)	-
Proceeds from sale of assets	62,215	-
Net Cash (Used) by Capital and Related Financing Activities	<u>(1,259,716)</u>	<u>-</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(929,483)	12,796
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	8,775,704	131,454
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 7,846,221</u>	<u>\$ 144,250</u>

The Notes to Financial Statements are an integral part of this statement.

WEBER HUMAN SERVICES
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2005 (CONTINUED)

	Primary Government	Component Unit (for the year ended Dec. 31, 2004)
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	\$ (139,363)	\$ 15,528
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation	683,885	-
(Increase)/Decrease in accounts receivable	(330,881)	(135)
(Increase)/Decrease in inventory	764	525
(Increase)/Decrease in prepaid expenses	(3,614)	(817)
Increase/(Decrease) in accounts payable	(599,127)	(4,801)
Increase/(Decrease) in accrued liabilities	1,136,936	-
Increase/(Decrease) in deferred revenue	(804,627)	740
Increase/(Decrease) in post employment benefits payable	205,795	-
Net Cash Provided by Operating Activities	<u>\$ 149,768</u>	<u>\$ 11,040</u>

The Notes to Financial Statements are an integral part of this statement.

WEBER HUMAN SERVICES
STATEMENT OF FIDUCIARY NET ASSETS -
FIDUCIARY FUND
JUNE 30, 2005

	Representative Payee Program	Employees Cafeteria Plan
<u>ASSETS</u>		
Cash and cash equivalents	\$ 112,765	-
Receivable from proprietary fund	-	-
Total Assets	112,765	-
<u>LIABILITIES</u>		
Amounts due to patients	112,765	-
Payable to proprietary fund	-	24,581
Total Liabilities	112,765	24,581
<u>NET ASSETS</u>		
Held in Trust for Employees Cafeteria Plan	\$ -	\$ (24,581)

The Notes to Financial Statements are an integral part of this statement.

WEBER HUMAN SERVICES
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
FIDUCIARY FUND
JUNE 30, 2005

	Employees Cafeteria Plan
<u>ADDITIONS</u>	
Contributions	
Employees	\$ 160,635
Total Additions	<u>160,635</u>
<u>DEDUCTIONS</u>	
Benefits	<u>166,087</u>
Total Deductions	<u>166,087</u>
Change in Net Assets	(5,452)
Net Assets - Beginning	<u>(19,129)</u>
Net Assets - Ending	<u>\$ (24,581)</u>

The Notes to Financial Statements are an integral part of this statement.

**WEBER HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

Weber Human Services (the Agency), was organized on January 1, 1994 under an interlocal cooperation agreement between Weber and Morgan Counties to provide mental health, aging, and substance abuse services to the residents of those counties. The interlocal agreement created a separate, legal and political entity. The term of the interlocal agreement is for fifty years. One or both of the participating counties may terminate the agreement; however, the terminating party must give a six-month notice. In the event of termination, any property transferred by the participants will revert to the contributing county.

Weber Human Services' main sources of funding are as follows:

1. Federal Revenues
2. State Revenues
3. Local Revenues
4. Client Revenues
5. Interest Income

Weber Human Services Corporation, a not-for-profit corporation, (Corporation) is considered to be a discretely presented component unit of the Agency. The Corporation was formed in 1994 to assist the Agency in creating a secure basis of financial and community support and to provide quality, affordable human services to the residents of Weber and Morgan Counties. The Agency provides significant support to the Corporation. Total donations from the Agency to the Corporation during the year ended June 30, 2005 were \$51,620. The basic criterion for including the Corporation as a component unit is the financial statements may be misleading if Weber Human Services Corporation were not included. Separate financial statements for the Corporation may be obtained from Weber Human Services Corporation, 237 26th Street, Ogden, UT 84401.

B. Financial statements

The financial statements (e.g., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. The primary government is reported separately from certain legally separate component units.

C. Measurement focus, basis of accounting, and financial statement presentation

The financial statements are reported using economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligible requirements imposed by the provider have been met.

**WEBER HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation (Continued)

In addition to the proprietary fund, the Agency reports a fiduciary fund type, which accounts for the funds deposited in the Agency's IRS section 125 plan and representative payee program. The IRS section 125 plan funds are used by employees of the Agency for qualified expenditures. The representative payee program funds are amounts received by the Agency and held in trust for clients of the Agency. The Agency then disburses the funds at the request of the clients.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities, subject to this same limitation. The Agency has elected to follow subsequent private-sector guidance, except for those that conflict with GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Agency are charges to federal agencies, state agencies and customers for services provided by the Agency. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, liabilities, and net assets

A. Cash and Cash Equivalents

The Agency defines cash and cash equivalents as all deposits in its checking, savings, money market accounts, and all highly liquid debt instruments purchased with an original maturity of three months or less. At times, cash balances in the Agency's accounts may exceed federally-insured limits.

B. Investments

The Agency records investments at fair value or amortized cost, which approximates fair value.

C. Accrued Annual Leave

It is the Agency's policy to permit employees to accumulate earned but unused annual leave up to 320 hours. All annual leave up to this amount is accrued when incurred in the financial statements.

D. Inventory

Inventory is valued at the lower of cost (first in, first out) or market.

**WEBER HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, and net assets (Continued)

E. Capital Assets

Capital assets are recorded at cost, or in the case of donated assets, at fair value. Capital assets are defined by the Agency as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets is charged as an expense on the Agency's operating statements. Accumulated depreciation is reported on the Agency's statement of net assets. Depreciation has been provided over the estimated useful lives of assets using the straight line method. The estimated useful lives of all depreciable capital assets are as follows:

	<u>Years</u>
Furniture & fixtures	3 - 10
Vehicles	3 - 10
Equipment	5 - 20
Buildings	40

F. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

G. Charity Care

The Agency has a policy of providing charity care to patients who are unable to pay. Such patients are identified based on financial information obtained from the patient and subsequent analysis. Since the Agency does not expect payment, estimated charges for charity care are not included in revenue. The amount of charity care provided during the year ending June 30, 2005 was \$2,165,543.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The Agency follows these procedures in establishing its budget:

1. On or before the first regularly scheduled meeting of the Board of Directors (Board) in May of each year, the Chief Financial Officer submits to the Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenses and the means of financing them.

**WEBER HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

2. The Board reviews and tentatively adopts the budget submitted.
3. A public hearing is conducted to obtain constituent and customer comments. The Board makes any necessary and proper adjustments to the budget.
4. Prior to the beginning of the fiscal year, the budget is enacted by adoption of a resolution by the Board.
5. The budget may be amended any time during the year. The amended budget is enacted by a resolution by the Board of Directors. The 2005 budget was amended during the year.
6. Formal budgetary integration is employed as a management control device during the year.

NOTE 3. CASH AND INVESTMENTS

Deposits At year-end, the carrying amount of the Agency's deposits was \$2,743,080 and the bank balance was \$2,800,796. Of the bank balance, \$205,592 was covered by federal depository insurance and the remainder was uninsured and not collateralized. Utah state statutes do not require deposits to be collateralized. However, the state commissioner of financial institutions monitors financial institutions monthly and establishes limits for deposit of public money at individual financial institutions and the city follows these recommendations.

Investments Statutes authorize the government to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, commercial paper rated A-1 by Standard & Poor's corporation or P-1 by Moody's commercial paper record, Banker's Acceptances, Repurchase Agreements, and the Utah Public Treasurer's Investment Fund (UPTIF), which is controlled by the State of Utah Money Management Act. The amounts recorded approximates fair value at June 30, 2005.

The government's investment balance at June 30, 2005 were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
EHF-GNMA83	\$ 1,718	Various	AAA
UPTIF	4,670,822	N/A	Not rated
Repurchase Agreements	543,209	Daily	N/A
	<u>\$ 5,215,749</u>		

**WEBER HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 3. CASH AND INVESTMENTS (Continued)

Reconciliation of deposits and investments to cash and cash equivalents:	
Deposits	\$ 2,743,080
Repurchase Agreements	543,209
UPTIF	4,670,822
Cash on Hand	1,875
Investments	<u>1,718</u>
 Total deposits and investments	 <u><u>\$ 7,960,704</u></u>
 As reported on the statement of net assets:	
Current Assets	
Agency Cash and Cash Equivalents	\$ 6,478,547
Restricted Agency Cash and Cash Equivalents held by Trustee	1,367,674
Agency Investments	1,718
 As reported on the statement fiduciary net assets:	
Cash and Cash Equivalents - Representative Payee Program	<u>112,765</u>
 Total Cash and Investments	 <u><u>\$ 7,960,704</u></u>

For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Agency's \$543,209 investment in Repurchase Agreements are uninsured and unregistered investments for which the securities are held by the counterparty. The Agency's sweep account is the Repurchase Agreements stated above. The government has no policy on custodial credit risk.

The Utah Public Treasurer's Investment Fund (UPTIF) is an external deposit and investment pool wherein governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. These monies are invested primarily in money market securities and contain no withdrawal restrictions. As such, the monies invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds. The fund investments must comply with the provisions of the Utah Money Management Act. The fund is not SEC registered. The fair value of the government's position in the fund is the same as the value of fund shares. 74% of the Agency's cash and cash equivalents is at the PTIF.

The Agency has classified amounts invested in the PTIF as cash and cash equivalents.

WEBER HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 1,641,426	\$ -	\$ -	\$ 1,641,426
Total capital assets, not being depreciated	1,641,426	-	-	1,641,426
Capital assets, being depreciated				
Buildings	14,161,245	-	-	14,161,245
Furniture and equipment	1,285,547	-	(86,665)	1,198,882
Vehicles	1,129,681	5,428	(128,084)	1,007,025
Total capital assets, being depreciated	16,576,473	5,428	(214,749)	16,367,152
Less accumulated depreciation				
Buildings	2,397,823	359,090	-	2,756,913
Furniture and equipment	859,596	192,994	(86,664)	965,926
Vehicles	384,763	131,801	(81,520)	435,044
Total accumulated depreciation	3,642,182	683,885	(168,184)	4,157,883
Net depreciable assets	12,934,291	(678,457)	(46,565)	12,209,269
Capital assets, net	\$ 14,575,717	\$ (678,457)	\$ (46,565)	\$ 13,850,695

During the year ended June 30, 2005, the Agency sold some of its vehicles with original cost of \$128,084 and accumulated depreciation of \$81,520 for \$62,215 for a gain realized on the sales of \$15,651.

NOTE 5. ACCOUNTS RECEIVABLE

	Agency	Component unit (for the year ended Dec. 31, 2004)
Accounts receivable consists of the following:		
State and local funding	\$ 1,709,265	\$ 185
Client revenue	2,412,171	-
	4,121,436	185
Allowance and contractual adjustments related to client revenue	(1,926,937)	-
	\$ 2,194,499	\$ 185

**WEBER HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 6. LONG-TERM DEBT

Long-term liabilities for the year ended June 30, 2005 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Certificates of Participation					
Series 1998A	\$ 5,650,000	\$ -	\$ (345,000)	\$ 5,305,000	\$ 360,000
Certificates of Participation					
Series 1998B	7,035,000	-	(355,000)	6,680,000	370,000
Total certificates payable	12,685,000	-	(700,000)	11,985,000	730,000
Other liabilities					
Accrued post-employment benefits	1,918,984	299,489	(93,694)	2,124,779	563,114
Total long-term debt	<u>\$ 14,603,984</u>	<u>\$ 299,489</u>	<u>\$ (793,694)</u>	<u>\$ 14,109,779</u>	<u>\$ 1,293,114</u>

Certificates of Participation:

Weber Human Services Lease Certificates of Participation Series 1998A and 1998B were issued to finance the purchase and construction of the land and buildings owned by the Agency. The certificates are secured by the land and buildings being financed. The certificates were issued on July 28, 1998 for \$15,775,000 with interest rates from 4.10% to 5.05% for a period of twenty years. Of this amount, \$1,335,825 was set aside in a Debt Service Reserve Fund. Payments to maturity for fiscal years ending June 30 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 730,000	\$ 582,520	\$ 1,312,520
2007	760,000	550,035	1,310,035
2008	795,000	515,835	1,310,835
2009	830,000	479,663	1,309,663
2010	870,000	441,068	1,311,068
2011 - 2015	5,035,000	1,529,015	6,564,015
2016 - 2018	2,965,000	274,973	3,239,973
Total payments	<u>\$ 11,985,000</u>	<u>\$ 4,373,109</u>	<u>\$ 16,358,109</u>

Accrued Post employment Benefits:

The Agency pays one-third to one-half of the accumulated sick leave to retiring employees (depending on the employee's age at the time of retirement) calculated using the employee's current hourly rate. Also, employees who meet the provisions of the state retirement program will be permitted to convert any remaining sick leave (over one third) at a rate of 16 hours per month to purchase health and dental insurance coverage from the Agency until eligible for Medicare. The liability for this benefit at June 30, 2005 was \$2,124,779. At June 30, 2005, the Agency had 260 employees who were eligible for this benefit.

WEBER HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 7. PENSION PLAN

Plan Description. The Agency contributes to the Local Governmental Non-contributory Retirement System (Systems), cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (URS). URS provides refunds, retirement benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The URS issues a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement system and Local Governmental Noncontributory Retirement system. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy. The Agency is required to contribute 11.09% of the covered salaries to the Local Governmental Noncontributory Retirement System. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The Agency contributions to the Noncontributory Retirement System for the years ending June 30, 2005, 2004, and 2003 respectively were \$997,500, \$870,496, and \$735,043, respectively. The contributions were equal to the required contributions for each year.

The Agency sponsors a defined contribution retirement plan under Section 401(k) of the Internal Revenue Code. This plan is also administered by the Utah Retirement Systems. It covers all eligible Agency employees. Participants are fully vested in employer and employee contributions. The Agency's contribution rate is determined by resolution of the Board of Directors. During the year ended June 30, 2005 the Agency contribution rate was to 1.64% of eligible pay. The required contributions amounted to \$297,238 and the participants contributions totaled \$429,013.

The Agency also participates in a deferred compensation plan under Section 457 of the Internal Revenue Code. The Utah Retirement System's adoption of Governmental Accounting Standards Board Statement No. 32 (GASB No. 32) *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, resulted in reporting the 457 plan as a Trust Fund of the Retirement System. Employee contributions to the plan for the year ending June 30, 2005 were \$110,941.

NOTE 10. RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters for which the Agency carries commercial insurance. The Agency also carries commercial workers' compensation insurance. There were no significant reductions in coverage from the prior year, and settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

**WEBER HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 11. COMMITMENTS

The Agency contracts with PAAG, (a non-profit organization), on a year to year basis to provide residential support to patients of the Agency. The contract cost for 2005 was \$810,842.

NOTE 12. RELATED PARTIES

Related parties of the Agency consist of Weber and Morgan Counties. Additionally, the Agency has contracted with Weber County to provide utilities and building maintenance services for the Agency. For the year ending June 30, 2005, revenues received from Weber and Morgan Counties were \$1,682,489 and \$27,173, respectively, and expenses for utilities and building maintenance were \$376,421.

NOTE 13. CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the Agency. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Agency expects such amounts, if any, to be immaterial.

NOTE 14. INSURANCE COVERAGE

Insurance coverage at June 30, 2005 consists of the following:

<u>Description</u>	<u>Amount of Coverage</u>
Personal Property - blanket coverage	\$ 19,134,038
Commercial general liability	1,000,000
Professional liability	5,000,000
Director's & Officers Liability	1,000,000
Public Employee Blanket Bond	500,000
Public Officials Bond	2,000,000
Notary Bond	30,000
Vehicles	3,048,707
Workers Compensation	Statutory Limits
Accidental Death & Dismemberment	5,000

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SUPPLEMENTAL INFORMATION

WEBER HUMAN SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2004

	Mental Health	Substance Abuse	Aging	Weber MACS	Psychology	Administrative	Pharmacy	Total
Operating expenses:								
Salaries and benefits	\$ 6,835,382	\$ 3,349,875	\$ 2,108,501	\$ 309,840	\$ 213,087	\$ 2,036,408	\$ 252,945	\$ 15,106,038
Travel	30,915	29,167	44,625	7,549	377	33,094	-	145,727
Office expense and supplies	131,964	84,278	56,634	7,084	2,948	104,966	8,946	396,820
Equipment and vehicle expense	42,191	25,372	246,801	4,054	2,611	289,047	8,303	618,379
Building expense	369,034	98,869	118,919	13,264	7,343	116,582	10,933	734,944
Services fees	1,371,522	833,121	7,881	-	6,165	140,649	16,813	2,376,151
Program expense	620,776	231,915	1,400,975	2,017,072	7,707	78,647	8,811	4,365,903
Depreciation	219,455	72,088	206,126	7,115	5,050	166,232	7,819	683,885
Total Operating Expenses	\$ 9,621,239	\$ 4,724,685	\$ 4,190,462	\$ 2,365,978	\$ 245,288	\$ 2,965,625	\$ 314,570	\$ 24,427,847

WEBER HUMAN SERVICES

MANAGEMENT REPORT

JUNE 30, 2005

WEBER HUMAN SERVICES

MANAGEMENT REPORT

JUNE 30, 2005

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Weber Human Services
Ogden, Utah

We have audited the basic financial statements of Weber Human Services as of and for the year ended June 30, 2005, and have issued our report thereon dated November 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Weber Human Services' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Weber Human Services' ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and recommendations for the year ended June 30, 2005 as item 05-04.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Weber Human Services' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Weber Human Services in the accompanying schedule of findings and recommendations for the year ended June 30, 2005 as items 05-01, 05-02, 05-03, and 05-05.

This report is intended solely for the information and use of the Board of Directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wiggins & Co, PC

Ogden, Utah

November 30, 2005

**INDEPENDENT AUDITOR'S REPORT
ON STATE LEGAL COMPLIANCE**

To the Board of Directors
Weber Human Services
Ogden, Utah

We have audited the basic financial statements of Weber Human Services for the year ended June 30, 2005, and have issued our report thereon dated November 30, 2005. As part of our audit, we have audited Weber Human Services' compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. Weber Human Services received the following major assistance programs from the State of Utah:

Utah State Department of Human Services
 Residential Services
 Adult Services - HCB Alternatives Programs
 Mental Health Contracts
 Substance Abuse Contracts

Our audit also included testwork on the Weber Human Services' compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

Cash Management
Purchasing Requirements
Budgetary Compliance
Public Debt
Special Districts
Other General Issues

The management of Weber Human Services is responsible for the Agency's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Weber Human Services' compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, Weber Human Services complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

W. J. J. Co., PC

Ogden, Utah

November 30, 2005

**WEBER HUMAN SERVICES
SCHEDULE OF FINDINGS
AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2005**

05-01 Physical Inventory of Property and Equipment

Observation: An inventory of property and equipment was not prepared. As a result, the assets owned by Weber Human Services are not being appropriately monitored.

Recommendation: Property and equipment owned by Weber Human Services should be accounted for on a regular basis. We recommend, that as equipment is purchased and put in service, it should be tagged with a numbered tag and a master inventory list of all tags and the description of the tagged property be maintained. On a regular basis, at least annually, this inventory should be reviewed and updated. This physical inventory listing should be reconciled to the property and equipment records reported on the general ledger.

Response: The Agency agrees with this finding and will implement the recommendation.

05-02 Pharmacy Inventory

Observation: An physical count of the pharmacy inventory was not performed for inventory at year end.

Recommendation: A perpetual inventory system should be put in place in order to track purchases, costs of goods sold, and other items in the inventory records. In order to reconcile the inventory reported by the perpetual records to the actual inventory on hand, a physical count of inventory should be performed on a regular basis, particularly at year end.

Response: The Agency agrees with this finding and will implement the recommendation.

05-03 Review of Bank Reconciliations

Observation: After the bank reconciliations are prepared by the staff accountant, they are not being reviewed by management.

Recommendation: Each month as bank reconciliations are completed by the staff accountant, management should review the reconciliation and sign it off when approved. This will increase the control structure and help identify potential problems if they arise.

Response: The Agency agrees with this finding and will implement the recommendation.

WEBER HUMAN SERVICES
SCHEDULE OF FINDINGS
AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2005

05-04 Investment Sweep Account

Observation: The investments in the sweep account are not being monitored by management.

Recommendation: The investments in the sweep account should be monitored by management on a regular basis. We recommend that these investments and the activity be reviewed as part of the bank reconciliation management review.

Response: The Agency agrees with this finding and will implement the recommendation.

05-05 Reconciliation of Dependent and Medical Reimbursement Accounts

Observation: The dependent and medical reimbursement accounts are not being reconciled at the end of the plan year as required.

Recommendation: At the end of the plan year, these accounts should be reconciled and any gains or losses should be accounted for appropriately.

Response: The Agency agrees with this finding and will implement the recommendation.

WEBER HUMAN SERVICES
SCHEDULE OF FINDINGS
AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2004

04-01 State Compliance

Observation: State law requires that the budget hearing to adopt the budget be advertised at least seven days in advance of the meeting. However, the budget hearing to adopt the 2004 budget was not advertised. As a result, the Agency was not in compliance with this requirement.

Recommendation: We recommend that the Agency advertise the budget hearing seven days in advance of the hearing.

Status: The Agency has implemented the recommendation.

04-02 Copy of Form 941 Filing

Observation: During our procedures, the Agency's copy of Form 941 Employer's Quarterly Federal Tax Return was unable to be found by the Agency.

Recommendation: We recommend that the these forms be stored in an accessible location after they have been filed.

Status: The Agency has implemented the recommendation.

WEBER HUMAN SERVICES

SINGLE AUDIT REPORT

JUNE 30, 2005

WEBER HUMAN SERVICES

SINGLE AUDIT REPORT

JUNE 30, 2005

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133 AND
AUDITORS' REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

To the Board of Directors
Weber Human Services
Ogden, Utah

Compliance

We have audited the compliance of Weber Human Services with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Weber Human Services' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility Weber Human Services' management. Our responsibility is to express an opinion on Weber Human Services' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Weber Human Services' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Weber Human Services' compliance with those requirements.

In our opinion, Weber Human Services complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Weber Human Services is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Weber Human Services' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Weber Human Services, as of and for the year ended June 30, 2005, and have issued our report thereon dated November 30, 2005. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Directors, management, others within the organization, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

W. J. G. Co., PC

Ogden, Utah
November 30, 2005

WEBER HUMAN SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures/ Disbursements</u>	<u>Major Program</u>
<u>U.S. Department of Health and Human Services:</u>				
<u>Direct:</u>				
JV Drug Court	2003-DC-BX-0078	16.585	\$ 158,657	
RSVP Action	U02SRPUT045	94.002	93,711	X
Senior Companion	U02SCPUT010	94.016	350,105	
Foster Grandparent	U02SFPUT036	94.011	318,778	
			<u>921,251</u>	
<u>Passed through Utah State Department of Human Services:</u>				
Federal Block Grant	03-0002	93.958	186,800	
Homeless FBH	05-1337	93.150	68,702	
Project Reconnect	04-1032	93.230	73,207	
SAPT Grant	02-3016	93.959	1,387,662	X
Drug Free Schools	02-3016	84.186B	52,979	
State Incentive Cooperative Agreement	02-1041	93.230	137,436	
SA Infrastructure Grant	05-0222	93.238	6,962	
Senior Centers	05-0219	93.044	167,116	X
Nutrition Centers	05-0219	93.045	278,511	X
NFCSP Caregiver	05-0219	93.046	69,219	
Disease Prevention & Health Promotion	05-0219	93.043	11,023	
Ombudsman	05-0219	93.042	3,631	
Waivers	05-0702	93.778	10,658	
Social Services Block Grant	05-0220	93.667	87,500	
			<u>2,541,406</u>	
Total passed through			<u>2,541,406</u>	
Total U.S. Department of Health and Human Services			<u>\$ 3,462,657</u>	

See accompanying Notes to Schedule of Expenditures of Federal Awards.

WEBER HUMAN SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures/ Disbursements</u>	<u>Major Program</u>
<u>U.S. Department of Agriculture:</u>				
<u>Passed through Utah State Department of Human Services</u>				
Elderly Feeding Program	05-0219	10.550	\$ 158,859	
Total U.S. Department of Agriculture			158,859	
<u>U.S. Department of Labor:</u>				
<u>Passed through Utah State Department of Human Services</u>				
SCSP	05-0219	17.235	32,826	
Total U.S. Department of Labor			32,826	
<u>Other Federal Assistance:</u>				
Health Insurance Counseling	05-0219	93.779	6,000	
Ut Commission on Criminal and Juvenile Justice - RSAT	3R06	16.593	73,321	
Total U.S. Department of Labor			79,321	
TOTAL			\$ 3,733,663	

See accompanying Notes to Schedule of Expenditures of Federal Awards.

WEBER HUMAN SERVICES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1. PURPOSE OF THE SCHEDULE

The accompanying Schedule of Expenditures of Federal Awards (Schedule) is a supplementary schedule to Weber Human Services' financial statements and is presented for purposes of additional analysis. Because the Schedule presents only a selected portion of the activities of Weber Human Services, it is not intended to and does not present either the financial position, changes in fund balances or the current funds revenues, expenditures and other changes of Weber Human Services.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

1. **Basis of Presentation** - The information is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Federal Awards. Pursuant to the Single Audit Act of 1984 (Public Law 98-402) and OMB Circular A-133, federal awards are defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, insurance, or direct appropriations. Federal awards, accordingly, nonmonetary federal awards, including federal surplus property, is included in federal awards and, therefore, is reported on the Schedule. It does not include direct federal cash assistance to individuals. Solicited contracts between the State and Federal Government for which the Federal Government procures tangible goods or services are not considered to be federal awards.

Type A and Type B programs. The Single Audit Act Amendments of 1996 and OMB Circular A-133 establishes the levels of expenditures or expenses to be used in defining Type A and Type B federal awards programs. Type A programs, for Weber Human Services, are those programs which exceed \$300,000 in federal expenditures, distributions, or issuances for the fiscal year ended June 30, 2005.

2. **Reporting Entity.** The reporting entity is fully described in Note 1 of Weber Human Services' financial statements. The Schedule includes all federal financial awards received directly from federal agencies as well as federal financial awards passed through from other governmental agencies for the year ended June 30, 2005.

WEBER HUMAN SERVICES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. **Basis of Accounting.** The expenditures in the Schedule are recognized as incurred based on the accrual basis of accounting and the cost accounting principles contained in OMB Circular A-87, Cost Principles for State and Local Governments. Under those cost principles, certain types of expenditures are not allowable or are limited to the amount of reimbursement.

Matching Costs. The schedule does not include matching expenditures.

Direct and Indirect Flow-Through Federal Assistance. The majority of the Weber Human Services' federal awards are received directly from the granting federal agency (i.e., Weber Human Services is the primary recipient). However, there is a portion of federal awards, as identified on the schedule, that are passed through a separate entity prior to receipt by Weber Human Services (i.e., Weber Human Services is a subrecipient).

WEBER HUMAN SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified
Internal control over financial reporting:
 Material weakness(es) identified? yes X no
 Reportable condition(s) identified
 not considered to be material weakness? X yes none reported
Noncompliance material to financial statements noted? yes X none reported

Federal Awards

Internal Control over major programs
 Material weakness(es) identified? yes X no
 Reportable condition(s) identified
 not considered to be material weakness? yes X none reported

Type of auditors' report issued on compliance
 for major programs: Unqualified

Any audit findings disclosed that are required
 to be reported in accordance with
 Circular A-133, Section 510(a)? yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
94.002	RSVP Action
93.959	SAPT Grant
93.044	Senior Centers
93.045	Nutrition Centers

WEBER HUMAN SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

Dollar threshold used to distinguish
between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X yes no

Section II - Financial Statement Findings

This section identifies the reportable conditions, material weakness, and instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards*.

05-04 Investment Sweep Account

Observation: The investments in the sweep account are not being monitored by management.

Recommendation: The investments in the sweep account should be monitored by management on a regular basis. We recommend that these investments and the activity be reviewed as part of the bank reconciliation management review.

Response: The Agency agrees with this finding and will implement the recommendation.

Section III - Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs noted during our audit. Accordingly, no such matters are reported.

**WEBER HUMAN SERVICES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

There were no prior year audit findings.